

Butte-Silver Bow

COMMUNITY BUSINESS PLAN

October 18, 2006

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EXECUTIVE SUMMARY

This Community Business Plan (Plan) was developed through a series of public meetings hosted by the Butte-Silver Bow Local Government, Butte Chamber of Commerce and the Butte Local Development Corporation. The data gathered from these meetings provided a good cross-section of the community's thoughts and ideas which helped focus developing and adopting planning strategies for enriching the quality of life of our citizens through a healthy economy. The Plan is divided into five major sections:

- Community Description – General demographic and economic information
- Community Analysis – Assets and obstacles for economic development based on input from public meetings
- Goals, Objectives and Strategies – Major goals for future economic development and strategies to help reach these goals developed from the outcome of the public meetings
- Industry Targets – Identifies specific economic base industries that the community would like to recruit, expand, or start over the next two years
- Resources for Business Development – Available local tools to assist with development
- Business Incentives – Local and state financial assistance to support business success

The primary intent of this plan is to identify industries and businesses that match the Community's assets to bring new economic vitality to the community.

1.0 Introduction

The Community Business Plan for Butte-Silver Bow sets out the goals for attracting capital investment to Butte-Silver Bow, while supporting the existing business community and the community's excellent quality of life.

There have been many planning projects done for Butte-Silver Bow throughout the years; all of which contain valuable in-depth information about our community. This Community Business Plan is designed to utilize the previous efforts along with new data gathered through a series of community meetings to help focus our collective energy on the future development of Butte-Silver Bow.

Butte-Silver Bow's economic history has been based on large industries that employed hundreds or even thousands of people. Over the years, many of Butte's largest employers have met with hard times and have either closed or significantly reduced their workforce. This restructuring of our local economy has brought about an increased need to diversify and encourage companies doing business in a wide variety of business sectors to locate in Butte. Through these efforts, Butte has established a broader economic base from which it can grow in the future.

Public/Private Partnerships

Butte-Silver Bow's future development cannot be accomplished solely by the efforts of the public or private sector individually. A partnership between these two entities is critical to the success of our community moving forward. A true partnership occurs when the public sector creates an atmosphere within which the private sector can flourish and thus create additional jobs. A new team spirit has arisen within the public and private sectors of Butte that encourages this partnership to function properly.

Coordination within our Community

Butte-Silver Bow has had a long history of being unique. Its citizens pride themselves on their individual spirits. This has proven to be both a blessing and a curse to Butte's development efforts. Coordination of our community's collective efforts have had mixed results. However, we have also proven that once we are all focused on the same goals our concentrated efforts can be successful. The main purpose of a Community Business Plan is to identify our needs, ideas and resources to set our collective vision on our goals.

2.0 Community Description

Located in southwest Montana, Butte-Silver Bow is the eighth most populous county with 33,093 residents, according to 2004 census estimates. Butte is the county seat and is the fourth largest city in the state. The County of Silver Bow (excluding the City of Walkerville) and the City of Butte are consolidated under an elected executive form of government.

An examination of some data on our community's population will give us a better understanding of our current situation. Butte's population has decreased 4.4% between 2000 and 2004. Its median age is 38.9 years old compared to Montana's at 37.5 years. This indicates Butte's population is shrinking and becoming older as compared with the rest of Montana.

The Montana Department of Labor Employment by Industry shows that government is the largest employer in Butte-Silver Bow with 17% of the total employment. Private health care is the number one private sector with 16% of the total employment, followed by retail trade. Utilities have a strong employment with NorthWestern Energy's headquarters located in Butte. Professional, scientific and professional services also have a positive impact on employment with six percent of the total employment and 10% of the total wages.

According to the Montana Bureau of Census, the median income for Butte-Silver Bow households in 2002 was \$31,248, compared to Montana's median income of \$34,105 for the same year.

As of November 2005, Butte-Silver Bow's civilian labor force was 17,617. The unemployment rate was 4.7%, which was the same for November 2004. This level is the lowest since 1973 for Butte. The state's unemployment rate was 4.3% for both periods.

Butte-Silver Bow has a very well educated workforce with 85.1% of its citizens over the age of 25 with a high school education and 21.7% of this same age group having achieved a bachelor's degree or higher.

Silver Bow County's largest private employers fall in the services, trade, manufacturing and utilities industries. St. James HealthCare is the areas largest employer. The areas 10 top private employers are as follows

St. James Healthcare	510
NorthWestern Energy	504
Wal-Mart	430
Montana Resources	349
Town Pump	435
Community Counseling & Corrections	275
Advanced Silicon Materials	263
MSE	225
Kids Behavioral Health	157
Harrington Company	140

Employment Growth in the Future

The reopening of the copper and molybdenum mine by Montana Resources in August 2003 has contributed significantly to the local economy by employing approximately 350 workers. Although, Butte has a mining tradition and the city still counts on mining as its economic base, over the past 10 years the economy has been diversified by attracting numerous technology-based companies. These companies include:

ASiMI, Synesis7, Portlock Software, e-DOCS USA, and ITG World. In addition, other existing local companies have expanded their operations such as MERDI, MSE and Resodyn. MERDI acquired the Thornton building and refurbished it into the Montana Technology Enterprise Center. This renovated facility is now home for 70 new jobs in the uptown area. MSE is becoming a nationally recognized leader in aerospace research. They are currently engineering and constructing the world's first hypersonic wind tunnel. Resodyn, formerly Montech, has been active in the research and development field for approximately 10 years. They are now producing products that were a result of their research and development efforts. As a result, they recently expanded their local operations by purchasing the Hennessey building and constructed a new production facility on Granite Street. During the fall of 2005, SeaCast announced construction of a new 60,000 square foot high-tech casting facility west of Butte in the Silicon Mountain Technology Park. This operation will initially employ 30 people with plans to grow substantially over the coming years.

3.0 Community Analysis

The Butte-Silver Bow Local Government, Butte Chamber of Commerce and the Butte Local Development Corporation hosted a series of public meetings to discuss the community's strengths, weaknesses, opportunities and threats. The meetings focused on all aspects of our citizenry, 18-25 years old, 25-40 years old and above 40 years old. The data gathered from these meetings provided a good cross-section of the community's thoughts and ideas which were then used as the basis of our analysis to help focus decision-making for economic development.

3.1 Strengths

A community's strengths are the foundation of economic growth. Every community has strengths that give it a comparative or competitive advantage in attracting businesses. In some cases this is obvious – for example, established dominance on a specific industry. In other cases, strength is a matter of perspective. For instance, a community may be able to offer an excellent quality of life. It is important to note that a town may appear to be at a disadvantage also has strengths. The business plan identifies how the community can capitalize on its strengths. Butte's strengths include:

1. Location – sits at the intersection for access to two major interstates (Interstates 90 and 15)
2. Transportation – only place in Montana served by two Class 1 Transcontinental Rail Carriers (Union Pacific and BNSF)
3. Community can accomplish great things when its efforts are focused – ASiMI and expansion of flight services for Delta Airline
4. Large number of tourists travel through the area – non-residents spent \$67 million in Butte-Silver Bow
5. Home of Montana Tech - an internationally recognized institution
6. National Historic Landmark District – one of the largest historic districts in the U.S. with local, state, and national incentives available for development of historic properties
7. Enhanced Community Enrichment Effort – strong Community Enrichment Program to improve and maintain cleanliness in the uptown area by completion of over 25 projects
8. Strong cultural and historical heritage - legacy as the “Richest Hill on Earth”
9. Educated and available workforce – 85% high school graduates and 22% with bachelor's degrees or higher
10. Historically Underutilized Business (HUB) Zone in uptown area – key economic development tool for attracting federal contracts
11. Unique and plentiful outdoor recreational opportunities – 15 minute drive to fishing, hunting, skiing, hiking, mountain biking, and rock climbing

12. Growing arts community – Butte Symphony, The Mother Lode Theatre, The Covalite Theatre, Orphan Girl Theatre, Art Chateau, and Art Center
13. Unified city/county government – ability to promote strong public/private partnerships

3.2 Areas for Improvement

During the several community meetings that were held to solicit input from the community, some areas were identified in which Butte as a community must improve in order to strengthen its business climate and quality of life. The general areas of improvement fell into the following categories:

- Coordinated Community Vision
- Aesthetics and greening of the Community
- Leadership building
- Housing and commercial development
- Bolstering Community pride

The actions needed to address these areas of improvement are incorporated in the Goals and Strategies section of this Business Plan

3.3 Opportunities

Opportunities are events and trends that are happening outside of local control and make Butte a more attractive location for businesses. National trends and changes in the State or Federal regulations are examples of external forces that create opportunities. As part of its economic development strategy, Butte-Silver Bow can capitalize on these opportunities to improve the local economy. The general areas in which opportunities were identified for Butte were:

- A high quality local workforce is a top priority for businesses
- Affordable cost of living compared to many national and state markets
- Former Butte residents desire to return home with family and businesses
- Availability of developable and affordable land
- Increased use of internet in business reduces Butte's perceived remoteness

3.4 Threats

Threats are external forces that could make it more difficult for Butte to accomplish its vision as a great place for business. Threats to economic growth that are outside the control of the community were identified in the following areas:

- Decrease in commodity price for minerals mined in area

- Natural disaster (i.e. forest fire) effecting surrounding area
- Reduced federal and state funding for vital programs for community
- Rising energy costs

4.0 Goals, Objectives, and Strategies

➤ **Increase the number and quality of jobs in Butte that will raise the local average annual pay by at least 1% per year over the annual inflation rate for the next 10 years.**

Objective: Support quality job growth in the area that will help raise the area's overall standard of living and create additional employment opportunities for all.

Strategy 1 Develop a unified marketing plan and program to promote Butte as an excellent location to do business

Strategy 2 Develop and utilize a "Friends of Butte" network throughout the U.S. and Canada to attract new businesses into our community, as well as growing existing businesses

Strategy 3 Create a local incentive program that will assist existing business start-up or expansion throughout Butte

Strategy 4 Establish a means by which local businesses can utilize the human and technical resources of Montana Tech to assist them achieve their business goals and create new opportunities

➤ **Increase the area's high-quality, well-trained workforce to meet the needs of existing and future local businesses.**

Objective: Develop workforce training programs and delivery systems to meet the needs of the local business community

Strategy 1 Utilize the resources of Montana Tech, College of Technology (COT), and local K-12 education systems to assist in providing customized cutting-edge workforce training programs to existing and new businesses

Strategy 2 Encourage all levels of education to provide or instill an entrepreneurial element in their overall curriculum

Strategy 3 Establish a coordinating council between the local educational community, business leaders, governmental officials and economic development entities to ensure our local educational resources are focused to meet the community's needs and institute open communication between all parties.

➤ **Diversify the local economy to improve the City/County's tax-base and increase the population level by an average of 3.5% per year for the next 10 years.**

Objective: Foster and promote a vibrant Business Climate that will encourage expansion of existing businesses and attract new ventures into our area.

Strategy 1 Proactively recruit businesses that can utilize Butte's strategic location and transportation infrastructure

Strategy 2 Work with Montana Tech to identify and seek out opportunities for which Montana Tech can serve as an economic catalyst for the local economy, specifically in the area of research and development to attract high-tech firms

Strategy 3 Encourage younger citizens and business leaders in the community to become more active in steering Butte's future

Strategy 4 Create and promote a "Pro-Butte" campaign that will instill a feeling of community-pride in Butte's citizenry and raise our image among those living outside of Butte.

Strategy 5 Strengthen and enhance the Community Enrichment Program to ensure Butte becomes the "Most Livable City in Montana"

➤ **Develop Butte into a tourist/recreational destination location**

Objective: Enhance existing tourist attractions and develop new venues that encourage tourists to visit and extend their stay in Butte

Strategy 1	Complete ‘Our Lady of the Rockies’ Tram and Carousel projects along with constructing a connector road to Continental Drive
Strategy 2	Develop and market Butte as the country’s premier historic tourism location
Strategy 3	Establish a central events coordinating mechanism to reduce conflicts and overlaps of scheduling community activities, as well as improve local promotions of these events
Strategy 4	Enhance the local Arts Community for the overall betterment of Butte, its citizens and visitors
Strategy 5	Utilize Community Enrichment Ordinance to improve aesthetics and attractiveness of community

5.0 Industry Targets

Butte’s strengths and opportunities related to location, access, available sites, and existing economy lend themselves to a variety of industry types. Industry targets are economic based industries which will export the majority of their product outside the region or serve visitors from outside the region, bringing new wealth into the community. The goal of this Business Plan is to focus on those industries that pay above average wages and have location and site needs that match well with Butte’s assets and strengths.

5.1 Warehouse/Distribution

Butte’s advantageous location and transportation infrastructure makes it an ideal site from which products can be warehoused and distributed to markets throughout the western United States and Canada. Product areas include:

Agricultural
Automobiles
Dry Goods
Building Materials

5.2 Back-office operations

Butte’s well-educated and versatile workforce, low-cost of doing business, available office space, and post-secondary education facilities established itself as an excellent location from which companies can operate their support-staff functions. Business fields that may require back-office support include:

- Engineering/design
- Accounting
- Legal
- Medical
- Technical support

5.3 **Technology-based companies**

The availability of high quality post-secondary education and training, abundance of broadband connectivity, low-cost office space and high quality of life makes Butte an ideal location for technology-based companies. Areas of activity in this industry sector include:

- Software development
- Aerospace research and development
- Environmental engineering
- Medical

5.4 **Light manufacturing**

Butte has had a history of manufacturing. With a plentiful supply of skilled craftsmen in the local workforce, excellent post-secondary education and training in manufacturing related areas, industrial parks focused on manufacturing and low-cost of doing business makes Butte a very attractive location for light manufacturing. The specific types of light manufacturing include:

- Precision machining
- Specialized welding and metal fabrication
- Titanium development
- Aerospace related products

5.5 **Destination tourism**

There are approximately two (2) million people that travel through and by Butte each year. Many of these travelers are on vacation. Butte has a great deal to offer the leisure traveler, such as a large historic landmark district, unique architecture, distinctive history, variety of museums, ethnic heritage, and an abundance of outdoor activities within a close proximity. Potentially related businesses in this industry are:

- Amusement parks
- Historic tourism tours
- Hotel/motel/convention center
- Restaurants and fine eateries
- Gaming related businesses
- Entertainment venues
- Retail

6.0 Resources for Business Development

6.1 Montana Tech and the College of Technology of the University of Montana

Montana Tech is a world-renowned four year university located in Butte, Montana. Montana Tech offers a variety of engineering degrees including petroleum engineering, electrical engineering, mining engineering, occupation safety and health and many others.

Tech has also expanded its offerings into other areas such as business, nursing, and professional and technical communications. In addition to having numerous offerings at the four year level, Montana Tech has a variety of associate's degrees available. These degrees are in areas of accounting technology, carpentry, drafting, and office management. Within the associate degree offerings Montana

Tech can work directly with a business to develop classes/programs to meet the needs of the employees of your business. Montana Tech also offers on-site workforce training programs to local businesses.

Along with offering a variety of degree options to employees of local businesses Tech can also assist your business with:

- Internships
- Consulting
- Employees
- Senior Projects
- Thesis Projects
- Research Assistance
- Technical Assistance

For more information about Montana Tech and what they can do for your business please contact the Vice Chancellor of Institutional Advancement and Development at 406-496-4804.

Find us at: www.mtech.edu

6.2 Service Corp of Retired Executives (SCORE)

The Service Corp of Retired Executives (SCORE) is a program funded through the Small Business Administration. It is designed to assist businesses through counseling and mentoring. The local SCORE meets at the Butte Chamber of Commerce office, (406) 723-3177.

6.3 Business Development Center

Butte-Silver Bow owns and operates the Business Development Center at 305 West Mercury, (406) 723-4061. This facility is designed to provide assistance to new and emerging businesses. The facility offers below-market lease rates for office space, shared equipment, and shared meeting rooms and technical assistance.

6.4 Small Business Development Center

The Small Business Development Center (SBDC) is a program funded through the Small Business Administration. It is located in the Headwaters Resource, Conservation and Development (RC&D) office at 305 W. Mercury, (406) 782-7333. The SBDC offers assistance to businesses in the area of business plan preparation and technical assistance.

6.5 Butte Job Service One-Stop Workforce Center

The center offers a variety of resources in the form of printed materials and Internet connected computers with a wide variety of software and more. The Center assists with hiring and management needs for a business. For those seeking employment, the Center will assist with the job search, career and training exploration process. The Center is located at 2201 White Boulevard, (406) 494-0300.

6.6 Main Street Uptown Butte

Main Street is a national program in use in more than 1,800 towns and cities to renew uptowns using a four-point approach involving design, promotion, organization and economic restructuring. To find out what resources Main Street Uptown Butte has available, contact them at (406) 497-6464.

6.7 Historically Underutilized Business Zone

The Historically Underutilized Business (HUB) Zone Empowerment Contracting Program stimulates economic development and creates jobs in urban and rural communities by providing Federal contracting preferences to small businesses. These preferences go to small businesses that obtain HUB Zone certification in part by employing staff who live in a HUB Zone. The company must also maintain a "principal office" in one of these specially designated areas. Staff in Washington, D.C. in cooperation with field staff located in SBA District Offices around the country administers the HUB Zone Empowerment Contracting Program. A full listing of those local District Office staff members is available on the HUB Zone web page under "Contacts." For more information, visit the HUB Zone webpage at www.sba.gov/hubzone

6.8 Montana Manufacturing Extension Service

The Montana Manufacturing Extension Center (MMEC) can help with practices for managing equipment, building, processes and people. Field engineers from MMEC have considerable knowledge of manufacturing processes and the obstacles that affect businesses. Working from six field offices across the state, the field engineers conduct an initial consultation with the firm needing assistance. If hands-on work is needed, MMEC will develop a proposal specifying: (1) time frames; (2) services; (3) cost; and (4) direct benefits.

MMEC can also help design and implement plans that yield lower costs, higher production, and increased product quality to meet customer demands quickly, staying focused on doing the things that add value. For more information call, 800-637-4634 or visit their web page at www.mtmanufacturingcenter.com.

7.0 Business Incentives

7.1 Local Incentives – Tax increment financing programs

7.1.1 Urban Revitalization Agency

The Urban Revitalization Agency (URA), funded through tax increment financing, has set aside a portion of its revenues for Redevelopment Programs including façades, building conservation and interior renovation programs, as well as sidewalk replacement. This Redevelopment Program consists of both matching grants and loans to eligible applicants. The goal of the Program is to encourage voluntary repair of existing commercial property within the District. Objectives of the program are to:

1. Encourage elimination of conditions that could be a serious and growing menace, injurious to public health, safety and welfare;
2. Encourage private investment in commercial property within the District through the use of public incentives;
3. Stimulate economic and business development within the District by providing safe environments for workers, businesses and the public; and,
4. Retain and expand safe employment opportunities with economic development assistance.

A matching funds grant is given at the discretion of the URA based upon review of the applicant's compliance with program objectives, eligibility requirements and eligible construction activities.

Redevelopment Grants and Loans

Redevelopment grants and loans are offered at the URA to fund private sector projects involving exterior and interior improvements limited to heating, plumbing or electrical systems, elevator or stair renovations, remodeled use of the building, assets tied to the property, and infrastructure improvements. The requirements for the grant programs at the URA are:

Mini-Grants

- Total Project Cost does not exceed \$20,000
- URA participation equal to 50% or \$10,000, whichever is less
- Minimum grant award is \$1,000

Grant Type I

- Total project cost does not exceed \$150,000
- URA participation equal to 30% or \$45,000, whichever is smaller
- Minimum grant award is \$10,000
- Applicant is eligible to apply for URA Loan Program funds for 50% of the remainder of the project cost.

Grant Type II

- Total project cost in excess of \$150,000
- URA participation equal to 20% or \$150,000, whichever is smaller
- Minimum grant award is \$45,000
- Applicant is eligible to apply for URA Loan Program funds for 50% of the remainder of the project cost.

Loan Program

The URA Loan Program can be utilized independently from grant funds for the purposes of business/building acquisition, construction, conversion, enlargement, repair, modernization, or development. Loan funds may also be utilized for purchasing of equipment and leasehold improvements, or consolidation of existing debt originally used for the above purposes. The following are the requirements under the URA Loan Program:

- URA Participation will not exceed \$300,000, unless determined by the URA Board.

- URA will work with the applicant to achieve a “bankable” project with other funding participants (e.g., banks, grants, private investment, and tax credit support)

All applications will be reviewed in the order in which they are received. All non-residential property within the URA District is eligible for this program, with the exception of publicly owned buildings. For the purposes of this program, residential properties with four or more units will be considered eligible. Residential properties with fewer than four units may be considered on an individual basis. Redevelopment projects in excess of \$2,000,000 may be eligible for funding on an annual basis for a maximum of three years. The project must demonstrate substantial need and successful performance.

Threshold requirements under the loan program are:

- Eligible applicants include the building owner of record or building tenant under lease and with approval of the owner.
- Structures must be located within the boundaries of the URA District.
- Projects must be in compliance with the URA Plan.
- Projects must comply with Historic Preservation Guidelines as appropriate.
- Demonstrate that all taxes on applicant-owned properties within Butte-Silver Bow are current.

Guidelines for evaluation of loan requests are:

- Jobs created or retained
- Taxes generated
- Successful past performance as necessary
- Opportunities for complementary business development
- Impacts on infrastructure addressed

Ineligible projects for the URA loan/grant programs are:

- Building repairs that are normally covered under property insurance policies
- The entire cost of a project or a phase of a project
- Operating costs of any business or organization
- Non-fixed assets

7.1.2 Tax Increment Financing Industrial District

The Butte-Silver Bow City-County (Butte-Silver Bow) Tax Increment Financing District (TIFID) program directs new tax dollars, which accrue from new development within the

boundaries of a designated industrial district, to assist further development within that district. These new tax dollars or tax increments are determined by measuring an increasing taxable valuation against a specified base taxable value. Montana law enables local governments to use the resulting new tax revenue for development and redevelopment activities, paying for the public infrastructure needs of projects within the district or bringing needed public infrastructure into the district.

Butte-Silver Bow's TIFIDs are governed by a special TIFID Board of Directors, appointed by the Butte-Silver Bow Chief Executive and confirmed by the Council of Commissioners.

Butte-Silver Bow's TIFIDs were created in accordance with the laws of the State of Montana and the ordinances of Butte-Silver Bow. In creating Butte-Silver Bow's TIFIDs, the Council of Commissioners of Butte-Silver Bow found and declared that:

1. Infrastructure-deficient areas exist in Butte-Silver Bow and constitute a serious impediment to the development of infrastructure-intensive, secondary, value-adding economic development in Butte-Silver Bow;
2. Butte-Silver Bow lacks sufficient capital to rectify the infrastructure shortage in infrastructure-deficient areas, thus impeding the ability of Butte-Silver Bow to achieve economic growth through the development of secondary, value-adding industries;
3. The creation of industrial infrastructure is a matter of public policy and public concern in Butte-Silver Bow, without which Butte-Silver Bow believes it will continue to suffer economic dislocation due to the lack of secondary, value-adding industries;
4. The legislature of Montana has found and declared that tax increment financing laws should be used to encourage the creations of areas in which needed industrial infrastructure for secondary, value-adding industries could be developed.

As a result, the Butte-Silver Bow Council of Commissioners has created certain industrial districts for the purpose of the development of infrastructure to encourage the growth and retention of secondary, value-adding industries.

Butte-Silver Bow offers a number of programs which make use of TIFID dollars to promote public infrastructures and private industrial infrastructure development which results in job creation, economic development and tax-base expansion.

TIFID Program Elements

Industrial Infrastructure Development Funding

PURPOSES – Butte-Silver Bow may use tax increments for any of the following purposes:

1. Acquire real property and acquire, construct, and/or improve personal property to be used within the industrial district.
2. Acquire, construct and/or improve publicly-owned buildings to be used within the industrial district.
3. Directly assist secondary, value-adding industries in meeting their infrastructure and land needs within the industrial district through the acquisition, construction and/or improvement of real and/or personal property to be used within the industrial district.
4. Appropriate money for public infrastructure development.
5. Any other purposes allowed by Montana law.

TAX INCREMENT FINANCING BONDS – Butte-Silver Bow may finance infrastructure development (including, but not limited to: rail spurs, utilities services, sewage treatment facilities and sewage lines, water, land and buildings) through the sale of tax increment bonds. Tax increment revenues would be pledged to pay bond principle and interest annually for the term of the bond. The size and term of the bond would depend on tax increment revenues available from private-sector taxpayers within the TIFID. While Montana law provides that tax increment districts may only be authorized for fifteen (15) years, the time period may be extended to coincide with the term of a tax increment bond. This financing method can be used for only those improvements which will be substantially publicly owned.

ANNUAL TAX INCREMENT APPROPRIATIONS – Butte-Silver Bow may finance public infrastructure improvements from its annual tax increment receipts by appropriation. Funds available each year would be determined by the size of the annual increment and any prior conditions. (such as bond-debt service requirements and administrative costs)

CONVENTIONAL FINANCING – Butte-Silver Bow may borrow funds from commercial lending institutions in order to finance public infrastructure improvements. Principal and interest on the loan will be paid by annual tax increment revenues. A conventional loan agreement will not, however, extend the authorized 15-year time period for a TIFID.

Funding Limitations

No more than 80% of the increment due the local government in any fiscal year will be available through public and private infrastructure programs to the developer which generated the increment. Remaining funds would be used to help existing companies within the district, (companies which were present when the TIFID was created) to administer the TIFID program, to construct commonly used public infrastructure, to support other TIFID programs and for the potential allocation to other affected taxing bodies. (School district, local government and the State of Montana)

Other Development Programs

Private companies, corporations and individuals (hereinafter referred to as the developer) who wish to locate a business within a designated TIFID may be eligible for participation in these programs. Brief descriptions of the TIFID programs and eligibility criteria are as follows:

1. Butte-Silver Bow may provide assistance in the form of staff-time to qualifying companies. TIFID personnel may be used to assist with business plans, market studies and general research. This assistance may be provided at the request of a private concern, or at the initiation of the TIFID Board of Directors, Economic Development Department, or the Butte-Silver Bow Council of Commissioners as part of an industrial recruitment program.
2. BSB's TIFID Program is based upon businesses creating quality jobs. Accordingly, as an incentive to locate a business within the TIFID, BSB has created a Job Credit Program, the essential elements of which are as follows:
 - a. One quality job credit is defined as a full-time position paying a wage equal to or greater than latest posted Per Capita Personal Income for Butte-Silver Bow. (\$25,624 per 2002 census data)
 - b. For jobs paying more than the Per Capita Personal Income for Butte-Silver Bow, quality job credits will increase proportionately for each 25% increment above the Per Capita Personal Income for Butte-Silver Bow to a maximum of two job credits. (Example: if \$25,624 is equal to one quality job, then \$32,030 is equal to 1¼ quality jobs)
 - c. For jobs paying less than the Per Capita Personal Income for Butte-Silver Bow, quality job credits will be reduced proportionately for each 25% increment below the Per Capita Personal Income for Butte-Silver Bow. (Example: if \$25,624 is equal to one quality job, then \$19,218 is equal to ¾ a quality job)
 - d. Subject to available funding and the company qualifying in all respects, for each quality job credit a company will receive from the

TIFID \$3,500 per year for 10 years to be used to pay for the public infrastructure needs of the project, as defined by the TIFID Program.

- e. The number of job credits a company will receive will be calculated at the end of each calendar year. The company will provide the TIFID administrator its total employee wages paid during the preceding calendar year. This amount will be divided by the latest posted Per Capita Personal Income for Butte-Silver Bow to determine the number of quality jobs for that year. (subject to the formula discussed above)

In order to qualify for a job credit, the developer must commit through the Assessment Agreement described below to provide a minimum of ten (10) jobs for a minimum period of ten (10) years.

Eligibility Requirements

In order to be eligible for assistance under the Butte-Silver Bow TIFID program, the following criteria must be met:

1. The developer must plan to locate within an authorized TIFID area. (maps attached)
2. Any developer who wishes to apply for tax increment assistance must enter into an agreement with the local government. An assessment agreement is a document which obligates the developer to pay all property tax obligations for the period during which the increment is being used to assist the developer, but no longer than the authorized life of the TIFID in which the development is located. This obligation remains in effect, even in the event that the developer closes or moves its facilities. Further, depending on the nature of the assistance, the developer may have to agree to continue to pay taxes at least at a rate which was in effect at the time the agreement is executed, regardless of changes in the tax rate.
3. In certain cases the developer will be required to post a performance bond to guarantee that the proposed development will be completed as outlined in their application for assistance.
4. Specific criteria which will be used to evaluate applications for assistance will include but is not limited to:
 - a. Job Creation – Developments which result in more jobs will be rated higher.
 - b. Taxable Valuation – In most cases, developers who contribute more to the community's tax base will be eligible for greater assistance.

- c. Value-adding – Those developers which make use of Montana’s mineral, agricultural and timber resources will rank higher than those which do not.
- d. Leverage-ratios – Tax increment funds may not be used to finance the entire cost of development. Those investments of tax increment financing which result in a larger infusion of private capital or other public capital will be rated higher.

Application Process

Applications will be reviewed by the TIFID staff which will, in turn, make its recommendations to the TIFID Board of Directors. The board will review the staff reports and the applications for final action. The Council of Commissioners will receive regular reports from the TIFID Board and staff regarding all appropriations. Final agreements and contracts will be signed by the Chief Executive of Butte-Silver Bow with the approval of the Council of Commissioners. The Butte-Silver Bow budget office will provide financial management and auditing as required.

In the event that any paragraph, provision, sentence, clause or term of the Butte-Silver Bow TIFID Economic Development Programs, or any expenditure there under, shall be declared or determined to be void, void-able, invalid, or unenforceable by a court of competent jurisdiction, all of the rest of the paragraphs, provisions, sentences, clauses and terms of the Butte-Silver Bow TIFID Economic Development Programs, and all other expenditures there under, shall nevertheless remain valid and in full force and effect.

Construction of Public Infrastructure

The public infrastructure related to a project will be constructed by the TIFID using public funds in the TIFID or public funds acquired for the project from the state or federal government or bonding sources.

Once the public infrastructure is constructed, it will be provided to the company and paid for according to the payment program outlined below.

Ultimate disposition of the public infrastructure is described at the bottom of the section below.

Payment for Infrastructure Provided for Project

In order to determine the amount of funding the TIFID will provide a project for its infrastructure needs, the following steps will be followed:

1. The final estimate of the infrastructure will be determined by a professional engineer or architect.

2. The cost of the infrastructure will be amortized over a 10 year period using an agreed upon interest rate.
3. An annual payment schedule will be produced.
4. The annual TIFID payment credit will be determined by multiplying the annual quality job credits by \$3,500.
5. If the annual payment schedule for the public infrastructure is greater than the annual TIFID payment credit, then the project developer may be asked to pay the difference to the TIFID.
6. If the annual payment schedule is less than the annual TIFID payment credit, the developer will accrue excess job credit payments in a separate account. These job credit payments may be used to meet any future short falls that may take place between the annual payment schedule and the annual TIFID payment credit or may be used to reduce any outstanding debt on the public infrastructure at the end of the 10 year period when the property is to be disposed.

At the end of the 10-year period, the annual TIFID payment credit will end. At this time the business may request to purchase non-essential public infrastructure at the market price, ask the Council of Commissioners to dispose of the property under the provisions of the local government's Ordinance 82 or continue to lease the infrastructure from Butte-Silver Bow at an agreed upon rate for successive 5-year periods.

7.1.3 Butte-Silver Bow Local Government Incentive Programs

In support of future economic development within our area, several incentive programs are available to be pursued by potential developers. Keep in mind that each program must be applied for and criteria for each program must be met prior to the approval of assistance. Nonetheless, qualifying for a specific program can provide substantial financial assistance and aid in the financial viability of a project.

7.1.4. New and Expanding Tax Abatement Program

The first of two programs that your specific business development may consider is the Tax Abatement for New or Expanding Industrial (MCA 15-24-1402 - New or Expanding Industries). This program may be applied for through the Butte-Silver Bow County Council of Commissioners. Qualifying for this program would allow a new or expanding business to reduce their "local property taxes" by 50% over the first five years of the project. Then, over the next five years the percentage of taxes due would increase 10% until the full tax amount is reached. Further, no property tax is paid during the construction phase of the project.

7.1.5 Butte-Silver Bow County Executive Branch Project Development Assistance Program

The second potential program that may be considered is the Butte-Silver Bow County, Executive Branch, Project Development Assistance Program. This program is funded through the Hard Rock Mining Trust Account (MCA 7-6-2225) that is established by State Law. The Chief Executive's office will release an information packet to the local media, Butte-Silver Bow Chamber of Commerce, Butte Local Development Corporation, Headwaters RC&D, MERDI, and all local government department heads for public promotion and program awareness.

There will be no solicitation of this assistance program; applicants may apply at any time. Projects will be evaluated on a case-by-case basis. If successful, the grantee will be required to comply with all applicable laws and ordinances governing the expenditures of public dollars.

The information packet will include the following:

1. A copy of the Montana Code Annotated (MCA) 7-6-2225. County hard-rock mine trust account -- expenditure restrictions.
2. Program purpose.
3. Program application contact information.
4. Program dollar amount available for grant award(s).
5. Proposal requirements.
6. Evaluation criteria.
7. Application review and recommendation procedure.

- I.** MCA 7-6-2225. County hard-rock mine trust account -- expenditure restrictions. (1) The governing body of a county receiving an allocation under [15-37-117](#)(1)(e) shall establish a county hard-rock mine trust account.
 - (2) Money received by a county pursuant to [15-37-117](#) or [90-6-331](#) must remain in the hard-rock mine trust account and may not be appropriated by the governing body until:
 - (a) a mining operation has permanently ceased all mining-related activity; or
 - (b) the number of persons employed full-time in mining activities by the mining operation is less than one-half of the average number of persons employed full-time in mining activities by the mining operation during the immediately preceding 5-year period.
 - (3) If the circumstances described in subsection (2)(a) or (2)(b) occur, the governing body of the county shall allocate at least one-third of the funds proportionally to affected high school districts and elementary school districts in the county and may use the remaining funds in the hard-rock mine trust account to:
 - (a) pay for outstanding capital project bonds or other expenses incurred prior to the end of mining activity or the reduction in the

mining work force described in subsection (2)(b);

(b) decrease property tax mill levies that are directly caused by the cessation or reduction of mining activity;

(c) promote diversification and development of the economic base within the jurisdiction of a local government unit through assistance to existing business for retention and expansion or to assist new business;

(d) attract new industry to the impact area;

(e) provide cash incentives for expanding the employment base of the area impacted by the changes in mining activity described in subsection (2); or

(f) provide grants or loans to other local government jurisdictions to assist with impacts caused by the changes in mining activity described in subsection (2).

(4) Except as provided in subsection (3)(b), money held in the hard-rock mine trust account may not be considered as cash balance for the purpose of reducing mill levies.

(5) Money in the hard-rock mine trust account must be invested as provided by law. Interest and income from the investment of funds in the account must be credited to the account.

History: En. Sec. 9, Ch. 672, L. 1989; amd. Sec. 5, Ch. 577, L. 1995; amd. Sec. 1, Ch. 144, L. 1999; amd. Sec. 1, Ch. 598, L. 2005.

- II.** Program Purpose – By Montana State Law, the purpose of this program is to promote the diversification and development of the economic base within the jurisdiction of the Butte-Silver Bow (BSB) local government unit through assistance to existing business for retention and expansion or to assist new business.
- III.** Program Application Contact Information – All proposals are to be submitted to the BSB Chief Executive, BSB Courthouse, 155 West Granite, Butte, MT 59701. Inquiries can be made to Chief Executive Paul Babb at 497-6220 or via email at chiefexec@co.silverbow.mt.us
- IV.** Program Dollar Amount Available -- \$32,500 (remaining funds for FY05-06)
- V.** Proposal Requirements:
 - 1. To submit a proposal, all of the applicant's property taxes must be current.
 - 2. Applicant Name(s), Address, Telephone Number, Fax Number, and Email Address.
 - 3. Project location (physical address and legal description).
 - 4. Overall project description and cost.

5. Line item cost breakdown of project costs covered by the developer (i.e., land, engineering, surveying, infrastructure, labor and building/improvements).
6. Line item description/cost breakdown of project costs to be covered by grant award (i.e., land, engineering, surveying, infrastructure, labor and building/improvements).
7. Number of jobs created by project.
8. Estimated annual property taxes (contact Butte-Silver Bow).
9. Project benefits to surrounding property and/or business owners.
10. Project timeline.
11. Business Plan with supporting documentation of applicant's ability to secure financing for the project (excluding confidential information).

VI. Evaluation Criteria:

1. Project must be located outside of BSB tax increment districts and urban revitalization areas.
2. Project must be consistent with the BSB Growth Policy (i.e., Capital Improvements Plan, Transportation Plan, Strategic Plan); and all Zoning Ordinances (permitted land use, development standards, etc.).
3. Grant request must be less than 10 percent of the overall project cost.
4. Demonstration of tangible benefits to more than one entity (business and/or property owner).
5. Number of jobs created.
6. A business plan with supporting financial documents must be submitted (excluding confidential information).

VII. Application Review and Recommendation Procedure:

1. The Chief Executive will establish an eight-member project review committee consisting of members from the Public Works, Economic Development, Finance and Budget, Community Development, and Planning departments; the Chief Executive; the Council Commissioner from the proposed project district; and one other Council of Commissioner selected by the Council of Commissioners (Council).
2. The Chief Executive will forward a copy of the proposal to the review committee and will schedule a meeting for the applicant to make a formal presentation to the committee.
3. The committee will evaluate the proposal and presentation in relationship to the established proposal requirements and program evaluation criteria.

4. Based on the presentation, proposal, and evaluation, the committee will make a recommendation for approval or denial.
5. If the recommendation is for denial, the Chief Executive will notify the applicant in writing.
6. If the recommendation is for approval:
 - The Chief Executive will send a communication to the Council asking for their concurrence in the approval of the project.
 - At the Council meeting, the applicant will make a project presentation.
 - At the Council meeting, the Chief Executive will make a presentation outlining the committee's recommendation for approval.
 - The Council will vote to concur or not concur.

7.1.6 Butte Local Development Corporation – Business Financing Programs

The Butte Local Development Corporation (BLDC) administers nine revolving loan funds designed to assist businesses with their financial needs. The funds are intended to work in conjunction with commercial or other sources of business lending. The BLDC will not totally fund a project unless there are extenuating circumstances that preclude a commercial lender from participating in the project.

The main criteria to qualify for a loan from these revolving loan funds is the creation or retention of jobs within the Butte-Silver Bow area. A business seeking a loan must contact the BLDC for an appointment to provide the staff with an initial overview of the project. If the project fits within the loan program parameters, the business must fill out an application. The application and requested loan amount will be reviewed by the BLDC/Anaconda-ARCO Loan Committee. Upon approval of the loan application the request will be forwarded on to the BLDC Board of Directors for final approval.

Loan amounts are limited to a maximum of \$150,000 unless the project warrants an increased funding level and the funds are available. The interest rate is fixed for the term of the loan and that rate is set by the BLDC/Anaconda-ARCO Loan Committee depending upon the risk factors associated with the loan.

7.1.7 Headwaters Resource, Conservation, and Development - Business Financing Programs

Headwaters Resource, Conservation, and Development (RC&D) administers the following loan programs:

7.1.7.1 Economic Development Administration Revolving Loan Fund

The Economic Development Revolving Loan Fund is intended to be used in situations where a funding gap exists and alternative sources of public and private financing is not adequate. Typical loans are between \$10,000 and \$100,000 targeting businesses employing 50 or less workers.

7.1.7.2 Community Development Block Grant Revolving Loan Fund

The Montana Department of Commerce has provided Community Development Block Grant Funds for economic development projects. This program is designed to create or retain jobs for low to moderate income persons. Typical loans are between \$50,000 and \$100,000.

7.1.7.3 Microbusiness Loan Program

A microbusiness is defined as a Montana based company with fewer than ten full-time employees and gross annual revenue of less than \$500,000. This program is especially useful for those who have a business effort in progress, but require capital for new equipment or expansion to new markets.

7.1.8 Property Tax Abatements - Local Options

The Montana Department of Revenue offers several property tax abatement programs. These programs must be approved by the Butte-Silver Bow Council of Commissioners and includes the following programs.

7.1.8.1 New or Expanding Industries

If approved by the local governing body, property used by certain new or expanding industries is eligible for reduced taxable valuation (up to 50% of their taxable value for the first 5 years) during the first 9 years after construction or expansion. Industry includes, but is not limited to, a firm that engages in:

- Mechanical or chemical transformation of materials or substances into products in the manner defined as manufacturing in the 1987 Standard Industrial Classification Manual prepared by the United States Office of Management and Budget;
- Extraction or harvesting of minerals, ore, or forestry products;
- Processing of Montana raw materials such as minerals, ore, agricultural products, and forestry products;
- Transportation, warehousing, or distribution of commercial products or materials if 50% or more of the industry's gross sales or receipts are earned from outside the state;
- Earning of 50% or more of their annual gross income from out-of-state sales; and

- Engages in the production of electric energy of one (1) megawatt or more by means of an alternative renewable energy source as defined in 90-4-102, MCA.

“New” means that a firm is new to the jurisdiction approving the abatement and has invested a minimum of \$125,000 worth of qualifying improvements or modernized processes within the jurisdiction. Property that qualifies as new industry property under the state option discussed above cannot qualify as new industry property under the local option.

“Expanding” means that the industry has added a minimum of \$50,000 worth of improvements or modernized processes to its property within the same taxing jurisdiction.

Qualifying properties involve projects with added improvements and/or added modernized processes. The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements or modernized processes. The tax benefit applies to the number of mills levied and assessed for high school district and elementary school district purposes and to the number of mills levied and assessed by the local governing body approving the benefit.

7.1.8.2 Expanding "Value-Added" Machinery and Equipment

If approved by the local governing bodies, an existing value-added industry that expands to include value-added machinery and equipment is entitled to receive a decrease in the tax rate for the value-added machinery and equipment. "Value-added industry" is a firm that engages in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the North American Industry Classification System Manual prepared by the United States Office of Management and Budget and engages in:

- Processing of Montana raw materials such as minerals, ore, oil, gas, coal, agricultural products, and forestry products; or the
- Processing of semi-finished products produced in Montana that is used by the industry as a raw material in further manufacturing.

The new value-added machinery and equipment must directly result in the creation of new jobs. Local governing bodies must approve by resolution the abatement. Qualifying properties include projects involving machinery and equipment used for value-added manufacturing and processing that result in the hiring of new full-time employees. The tax benefit received is a reduced tax rate to as low as three percent (3%), for the qualifying property. The number of new full-time employees determines the amount of reduction. The tax benefit applies to the number of mills levied and assessed by each local governing body approving the benefit. The benefit also applies to statewide levies if the governing body approving the benefit is a county, consolidated government, or incorporated city or town.

7.1.8.3 Reduced Rate for Remodeling of Building or Structures

Projects activities under this program includes remodeling of existing buildings or structures and are eligible for a reduced tax rate for five years following construction. Qualifying properties involve the remodeling, reconstruction, or expansion of existing buildings or structures, which increases their taxable value by at least 2.5%. The tax benefit received is a percentage multiplier applied to the increase in taxable value of the qualifying improvements. (MCA 15-24-1501)

7.2 State Incentives

7.2.1 Workforce Training Grant Programs

There are currently two Montana Department of Commerce programs that are principally focused on providing job training grant funds to Montana workers. The Workforce Training Grant (WTG) program is a state-funded program that was moved from the Governor's Office to the Montana Department of Commerce during the 59th Legislature and is an essential component of Governor Schweitzer's economic development plans for Montana. There is \$1.3 million available annually for this program. This program targets businesses that are creating at least ten net, new jobs that pay at least the lower of the current county average wage or the state current average wage.

Governor Schweitzer has decided to use the discretionary component of the federally funded Workforce Investment Act (WIA) program to provide grants to Montana businesses in order to provide incumbent worker job training to existing and new employees. The Montana Department of Labor has provided federal grant funds to the Department of Commerce of which \$380,000 will be available for business applications. The Department is targeting the workforce training grant programs to projects that can demonstrate tangible, measurable results involving employees working in the businesses that are receiving assistance. The Department may assign a Regional Development Officer to work directly with applicants that appear to have viable, eligible project proposals meeting the intent of one of these programs.

7.2.2 Big Sky Economic Development Trust Fund

The Big Sky Economic Development Trust Fund was created by the 2005 Montana Legislature and was one of the major components of Governor Brian Schweitzer's 2005 legislative agenda. The Trust Fund was created to aide in the development of good-paying jobs for Montana residents and promote long-term, stable economic growth in Montana.

Earnings from the Trust Fund are available for financial assistance to local governments and economic development organizations through application to the Montana Department of Commerce. Seventy-five percent (75%) of Trust Fund earnings are awarded annually to local governments in the form of grants and loans for economic development projects that create new qualifying jobs for Montana residents.

7.2.3 Montana Board of Investments

The Montana Board of Investments (MBOI) has the following loan programs.

7.2.3.1 Value-Added Business Loan Program

Total amount available for this program is \$50 million. Requirements under this program include:

- Maximum 15-year loan term.
- 10 to 14 jobs created/retained qualifies for a loan rate at 4% for five years. (Jobs must meet qualifications set forth by the MBOI)
- 15 jobs created/retained qualifies for a loan rate at 2% for five years. (Jobs must meet qualifications set forth by the MBOI)
- Interest rate will be at the posted interest rate until the required jobs are created/retained.
- Interest rate set at lowest rate for first 5 years and 6% for second 5 years the Board posted rate at the time of application for the remaining term.
- Jobs created/retained must be by a business adding value to material/products.
- Board participates with lender in 75% of the funding, risk, collateral, and other security.
- Minimum loan size \$250,000 and maximum loan size approximately \$6.9 million (1% of Trust).
- Full credit review using the Board's underwriting policy.

7.2.3.2 Infrastructure Loan Program

Total amount available for this program is \$50 million. Requirements under this program include:

- Loans to local government for infrastructure improvement used by basic-sector businesses.
- Business for which infrastructure is provided must create at least 15 full-time jobs.
- Loan sized at number of jobs times \$16,666 with a minimum loan size \$250,000.
- Business pays local government use fee, which is assigned to Board for loan repayment.
- Use fee can be totally credited against Montana income taxes paid by business.

7.2.3.3 Guaranteed Loan Purchase Program

Requirements under this program include:

- Fixed-rate financing up to 30-years with interest rates posted weekly.
- Board purchases 100% of the guaranteed portion of the loan.
- Job creation credits may reduce posted interest rate up to 2.5%.
- No detailed credit review by Board.

7.2.3.4 Business Loan Participation Program

Requirements under this program include:

- Fixed-rate financing up to 25-years with interest rates posted weekly.
- Maximum participation amount of approximately \$69 million (10% of Trust).
- Maximum Board participation is 80% if Board loan participation is less than 6% of Trust.
- Maximum Board participation is 70% if Board loan participation is more than 6% of Trust.
- Job creation credits may reduce posted interest rate up to 2.5%.
- Full credit review using the Board's underwriting policy.